

Message Text

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11

ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 FEA-02 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01

USIA-15 DRC-01 /190 W

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R 110900Z JUL 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1797

INFO AMEMBASSY TTHE HAGUE

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USINT ALGIERS

C O N F I D E N T I A L ABU DHABI 0917

EO 11652: GDS

TAGS: ENRG TC

SUBJ: PETROLEUM: RESULTS ABU DHABI-COMPANY TALKS ON 60/40

INTERIM PARTICIPATION FORMULA

REF: ABU DHABI 887

1. WE HAVE BEEN ABLE TO FLESH OUT A FEW MORE DETAILS
ON RESULTS OTAIBA-COMPANY TALKS THAT WERE RECENTLY
SUSPENDED INCONCLUSIVELY HERE.

2. BOTH OTAIBA AND COMPANY REPS WITH WHOM WE SPOKE AGREED
ONLY REALLY DIFFICULT ISSUE WAS PRICE OF BUY-BACK OIL
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FOR 1974. OTHER MATTERS, SUCH AS COMPENSATION SUM AND

GAS UTILIZATION, COULD HAVE BEEN SETTLED BUT
OTAIBA INSISTED THAT AGREEMENT MUST BE ONE PACKAGE INCLUDING
BUY-BACK PRICE. OTAIBA TOLD ME HE ASKED THAT PREVIOUS
SPOT SALES OF 95, 98, AND 100 PERCENT OF POSTED PRICE BE TREATED
QUOTE AS REFERENCE POINT IN SOME MANNER END QUOTE FOR
BUY-BACK PRICE OF 74 OIL. COMPANIES REGARD THESE SALES AS
ATYPICAL HAVING BEEN CONCLUDED AT PEAK OF OIL SHORTAGE LAST
WINTER AND NOW PARTICULARLY UNREALISTIC IN VIEW OF SOFTENING
WORLD MARKET PRICE FOR OIL. OUTCOME WAS IMPASSE ON PRICE
ISSUE WITH BOTH SIDES TACITLY AGREEING TO AWAIT RESULT
ARAMCO-SAUDI NEGOTIATIONS.

3. ADPC OWNERS TOOK LEAD IN NEGOTIATIONS WITH ADMA OWNERS
(TO SOME EXTENT THE SAME OF COURSE) HANGING IN BACKGROUND.
MANAGERS OF THESE COMPANIES HERE CLAIM THERE
NO REPEAT NO DIFFERENCE BETWEEN THEM ON BUY-BACK PRICE ISSUE,
ALTHOUGH POSITIONS OF 2 COMPANIES NOT ENTIRELY SIMILAR IN
OTHER ASPECTS. WHEREAS ADPC WOULD BE HAPPY TO PRODUCE
UP TO ITS PRESENT 1.28 MBD CAPACITY INSTEAD OF 1.1 TO
WHICH ADG HAS LIMITED IT, IT HAS NO LARGE-SCALE EXPANSION
PLANS UNDERWAY. ADMA IN CONTRAST IS IN MIDDLE OF DEVELOP-
MENT PROGRAM, STARTED SOME TIME AGO, TO RAISE PRODUCTION
FROM PRESENT 550,000 BD TO ABOVE ONE MILLION, AND THEREFORE
HAS HEAVY STAKE IN RELAXATION OF PRESENTINGOVERNMENT-IMPOSED
PRODUCTION CURB. ON OTHER HAND, WHILE ADMA ALREADY HAS
AGREEMENT FOR CONSTRUCTION LNG, ADPC, WHICH HAS BEEN
WAITING FOR GREEN LIGHT TO MOVE AHEAD WITH FIRST PHASE
OF ITS GAS UTILIZATION SCHEME, CONTINUES TO BE HUNG UP
BY INCONCLUSIVE OUTCOME OF NEGOTIATIONS.

4. ALTHOUGH UNCOMFORTABLE WITH CONTINUING UNCERTAINTIES,
COMPANY REPS NOT DISPLEASED WITH POSTPONEMENT OUTCOME.
THEY SEE OTAIBA'S GAME AS TRYING TO GET SOME SLIGHT IMPROVE-
MENT OVER OTHER SETTLEMENTS SO AS TO ADD TO HIS LUSTRE
AS NEGOTIATOR. COMPANIES DOING THEIR BEST TO HOLD LINE,
AND THEY ARE SOMEWHAT PUZZLED AT OTAIBA'S LETTING THEM OFF
HOOK SO EASILY ON THIS OCCASION. THEY SPECULATE REASON MAY
BE THAT HE IS AS MUCH IN DARK AS THEY AS TO WHAT WILL EMERGE
IN SAUDI ARABIA.

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